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INTRODUCTION

The Office of Internal Audit performed an audit of Romulus District, Wayne County FIA for the period October 1, 1999 through March 16, 2000. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. The Romulus District had 68 full time equated positions (FTE's) at the time of our review. Romulus District provided assistance to an average 6,567 recipients per month during FY 1999, with total assistance payments of \$8,499,209 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Romulus District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Safe and Controlled Documents

State Emergency Relief (SER)

Client Processing

IRS Information Security

Procurement Card

Child Well Being

Cash Disbursements

Medical Transportation

Employment Support Services

CIS/ASSIST

Payroll and Timekeeping

Telephone Usage

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Romulus District internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Our findings and recommendations follow.

DISTRICT RESPONSE

The management of the Romulus District has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated march 28, 2000 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Mail Opening

1. The Romulus District had only one person opening the mail. Accounting Manual Item 430 requires that two people work together to open the mail. Having two people opening the mail helps to ensure that cash and negotiable instruments received in the mail are not lost or stolen prior to being recorded at the local office.

WE RECOMMEND the Romulus District have two people work together to open the mail.

Official Cashier Receipts

2. The Romulus District did not prepare Official Cashier's Receipts (FIA-3681) for all moneys and food stamps received over the counter timely, as required by

Accounting Manual Item 430. Rather, the district office was preparing the Official Cashier's Receipt and entering the information onto LASR the following month. Official Cashier's Receipts should be prepared and posted to LASR timely to ensure that the monthly statements accurately reflect receipt for the month.

WE RECOMMEND that the Romulus District prepare Official Cashier's Receipts for all moneys, returned checks/warrants, and returned food stamps received over the counter and in the mail immediately, and enter the data into LASR timely.

Pending FIA-138's

3. The Romulus District did not have pending Action Taken on State Treasurer's Warrants by Local Offices (FIA-138) on file for two warrants that were on hand. Accounting Manual Item 462 requires that local offices maintain a file of pending FIA-138's to be used for monitoring to ensure that workers return the FIA-138's timely with instructions for disposition of returned warrants.

WE RECOMMEND the Romulus District keep pending FIA-138's on file for all warrants that are on hand.

Returned Warrants

4. The Romulus District had 5 returned state warrants on hand for longer than the 10 days required by Accounting Manual Item 462. The warrants on hand were for the months of November and December, 1999. Voiding returned state warrants after 10 business days encourages immediate disposition and provides improved accountability for the warrants.

WE RECOMMEND that the Romulus District dispose of returned state warrants within 10 business days.

FIA-61 Reconciliation

5. The Romulus District did not perform a weekly reconciliation of checks/warrants on hand to the open items on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. A weekly reconciliation is necessary for timely detection of any warrants/checks that are lost or stolen, and to ensure that all checks/warrants on hand are properly recorded on the FIA-61.

WE RECOMMEND that the Romulus District perform a weekly reconciliation of checks/warrants on hand to the FIA-61.

Frequency of Deposits

6. The Romulus District did not make bank deposits weekly, as required by Accounting Manual Item 430. Rather, the district was making deposits once or twice per month. Depositing the receipts weekly increases interest earned and helps to prevent funds from being misplaced or stolen while on hand in the local office.

WE RECOMMEND that the Romulus District deposit its cash receipts at least once each week.

Cash Disbursements

No findings in this area.

Safe and Controlled Documents

No findings in this area.

Medical Transportation

No findings in this area.

State Emergency Relief

Payment Authorization Files

7. The Romulus District did not maintain files of Authorization/Invoices (FIA-849), Supplemental Payment Authorizations (FIA-13), or Medical Payment Authorizations (FIA-93) in either alphabetical or case number order, as required by Accounting Manual Item 404. Maintaining permanent files of FIA-849's, FIA-13's, and FIA-93's in either alphabetical or case number order provides an audit trail to easily detect how many payments a client has received, and makes the authorization forms easy to retrieve if needed at a later date.

WE RECOMMEND that Romulus District maintain permanent files of FIA-849's, FIA-13's, and FIA-93's in either alphabetical or case number order.

Employment Support Services

No findings in this area.

Client Processing

No findings in this area.

CIS/ASSIST

MA-010 Reconciliation Case Openings

8. The Romulus District did not reconcile a sample of case openings listed on the Transaction Control Listing (MA-010) to the case documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operation. Reconciling a sample of the case openings listed on the MA-010 to the case documentation eligibility helps to ensure that the payments are accurate and appropriate.

WE RECOMMEND that the Romulus District reconcile a sample of the case openings listed on the Transaction Control Listing (MA-010) to the case documentation and other supporting documentation.

IRS Information Security

No finding in this area.

Payroll and Timekeeping

Payroll Record and Retention

9. The Romulus District timekeeper maintained the certified copy of the HR-332A. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that the Romulus District have the certifier, or someone other than the timekeeper, retain the HR-332A.

Procurement Card

Procurement Card Usage

10. The Romulus District did not have the preparer's supervisor approve and sign the Procurement Card Transaction Logs. According to the procurement card policies and procedures, the supervisor's signature is required for reconciliation of the Detail Transaction Report. The supervisor's signature attests to the appropriateness of the purchases.

WE RECOMMEND that the Romulus District have the preparer's supervisor approve all Procurement Card Transaction Logs.

Telephone Usage

No findings in this area.

Child Well Being

No findings in this area.